

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 AGR-10 ERDA-07 AID-05

CEA-01 CIAE-00 CIEP-02 COME-00 DODE-00 FEAE-00 FPC-01

H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03

USIA-15 SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00

FRB-01 PA-02 PRS-01 /128 W
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R 031335Z JUN 75

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 2534

INFO AMEMBASSY PARIS

UNCLAS ALGIERS 1305

E.O. 11652: N/A

TAGS: ETRD, FR, AG

SUBJECT: FRENCH/ALGERIAN TRADE-DEFICIT AND THREATS

REF: ALGIERS 1265

1. FRENCH HAVE BEEN SUBJECT TO SERIES OF CRITICAL ARTICLES ON TRADE BETWEEN FRANCE AND ALGERIA. CRITICISM HAS BEEN TRIGGERED BY RENAULT SALE OF ALGERIAN CRUDE OIL BELOW OFFICIAL MARKET PRICE OF \$11.75 A BARREL (REF A), BUT BASIC PROBLEM IS HUGE AND GROWING IMBALANCE OF TRADE.

2. FRANCE EXPORTED 1.5 BILLION DOLLARS OF GOODS TO ALGERIA IN 1974. IN RETURN ALGERIA ONLY EXPORTED 1.2 BILLION DOLLARS OF GOODS TO FRANCE IN 1974. THIS CREATED A DEFICIT AGAINST ALGERIA OF 300 MILLION DOLLARS IN 1974. NOW FIRST QUARTER OF 1975 FRENCH TRADE STATISTICS SHOW FRENCH EXPORTS RUNNING AT 567 MILLION DOLLARS FOR THE QUARTER OR AT RATE OF 2.3 BILLION DOLLARS FOR FULL YEAR. ALGERIAN EXPORTS TO FRANCE DURING FIRST UNCLASSIFIED

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QUARTER FELL TO 170 MILLION DOLLARS OR TO ANNUAL RATE

OF 678 MILLION DOLLARS. THIS PRODUCES A TRADE DEFICIT AGAINST ALGERIA OF 397 MILLION DOLLARS FOR THE FIRST QUARTER AND 1.6 BILLION DOLLARS FOR THE YEAR. OIL AND GAS MADE UP 93 PERCENT OF ALGERIAN EXPORTS IN 1974 AND 89 PERCENT IN FIRST QUARTER 1975. FRENCH IMPORTS OF ALGERIAN CRUDE OIL IN FIRST QUARTER 1975 WERE ONLY 950,000 TONS COMPARED WITH OVER 3 MILLION TONS IN SAME PERIOD IN 1974 AND 2.3 MILLION TONS IN FIRST QUARTER 1973.

3. THESE FIGURES ALARM GOA AND ARTICLES MAKE CLEAR THAT IF FRENCH DO NOT HELP SITUATION BY BUYING MORE FROM ALGERIA, THEN ALGERIANS MUST RESTRICT PURCHASES FROM FRANCE. RENAULT DEAL IS EXAMPLE FOR FRANCE. BY ALGERIAN LOGIC FRANCE SHOULD BUY MORE ALGERIAN OIL AND EVEN HS DUTY TO FIND ALGERIAN PRODUCTS EXPORTABLE TO FRANCE.

4. UNFORTUNATELY, ALGERIAN ARGUMENT THAT FRANCE, BECAUSE OF FAVORABLE BALANCE OF TRADE WITH ALGERIA, HAS DUTY TO BUY ALGERIAN DOES NOT HOLD MUCH VALIDITY IN REVERSE CASE WHEN EMBASSY POINTS OUT LARGE U.S. TRADE DEFICIT WITH ALGERIA. STILL THIS FACT MAY BE PART OF EXPLANATION FOR RECENT INCREASED ATTENTION GIVEN U.S. FIRMS TRYING TO NEGOTIATE MAJOR PROJECTS. LYNE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, DATA, THREATS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ALGIER01305
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750193-0874
From: ALGIERS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750683/aaaacydk.tel
Line Count: 86
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 ALGIERS 1265
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 28 FEB 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 FEB 2003 by PhilliR0>; APPROVED <23 JAN 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FRENCH/ALGERIAN TRADE-DEFICIT AND THREATS
TAGS: ETRD, FR, AG
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006